



King Sabata Dalindyebo Local Municipality
Financial statements
for the year ended 30 June 2014

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

General Information

Nature of business and principal activities

King Sabata Dalindyebo Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998).

Mayoral committee

Executive Mayor

Speaker

Chief Whip

Councillors

Cllr N Ngqongwa

Cllr DM Zozo

Cllr ZM Gusana

Cllr FRS Ngcobo

Cllr NR Gcingca

Cllr MS Mlandu

Cllr LR Madyibi

Cllr FM Mtwana

Cllr LN Ntlonze

Cllr NA Ndlela

Cllr GN Nelani

Cllr LS Nduku (Resigned)

Cllr PP Nontshiza

Cllr KN Kwetana

Cllr MH Mtirara

Cllr N Mtwana

Cllr B Ndlobongela

Cllr SSN Qina

Cllr M Mavukwana

Cllr V Dangala

Cllr FV Dondashe

Cllr KK Mdikane

Cllr ZN Mncunza

Cllr NC Mvusi -Deceased

Cllr NF Mzimane

Cllr MM Ngabayena

Cllr SS Njemla

Cllr KW Tsipa

Cllr S Mlamli

Cllr TE Mapekula

Cllr M Menzelwa

Cllr B Momoza

Cllr MI Xentsa

Cllr EM Fileyo

Cllr N Sikonkotela

Cllr N Mpenyama

Cllr B Mazini

Cllr GN Jijana

Cllr MA Zimela

Cllr LL Mkhonto

Cllr MT Mtirara

Cllr VN Xhobani

Cllr M Mtirara

Cllr VN Roji

Cllr M Nyoka

Cllr T Nqadolo

King Sabata Dalindyebo Local Municipality

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General Information

Cllr VO Gwadiso
Cllr N Nyangani
Cllr NS Kwaza
Cllr XT Matiti
Cllr NM Luqhide
Cllr T Nomvete
Cllr M Bunzana
Cllr N Pali
Cllr LA Tshiseka
Cllr J Dlamini
Cllr M Plam
Cllr WV Sanda
Cllr LM Luwaca
Cllr M Gogo
Cllr N Qwase
Cllr HN Maroloma
Cllr R Knock
Cllr BD Bara
Cllr ZV Maqabuka
Cllr Z Magazi
Cllr MJ Msakeni
Cllr M Jafta
Cllr AZ Luyenge
Cllr S Budu
Cllr N Nyengane
Cllr L Madyibi
Cllr ZM Gusana
Cllr S Peters Resigned

Grading of local authority

Grade 4

Chief Finance Officer (CFO)

Nomtandazo Ntshanga

Registered office

Munitata Building
Sutherland Street
Mthatha

Postal address

Private Bag X5083
Mthatha
5099

Bankers

ABSA
FNB

Auditors

Auditor General of South Africa

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the financial statements and is unaudited:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
FMG	Finance Management Grant
Cllr	Councillor

King Sabata Dalindyebo Local Municipality

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page xx.

The financial statements set out on pages 1- 67, which have been prepared on the going concern basis, were approved on the 29 August 2014 by the accounting officer.

Accounting Officer
N Soldati

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	8	9 528 666	3 098 799
Receivables from exchange transactions	9	41 974 548	74 449 159
Receivables from non-exchange transactions	10	21 305 113	14 624 956
Prepayments	7	361 008	41 950
Cash and cash equivalents	11	127 659 612	238 113 748
		200 828 947	330 328 612
Non-Current Assets			
Investment property	3	189 419 900	124 511 350
Property, plant and equipment	4	2 269 215 744	2 263 671 950
Intangible assets	5	440 080	185 393
Heritage assets	6	4 697 000	4 363 000
		2 463 772 724	2 392 731 693
Total Assets		2 664 601 671	2 723 060 305
Liabilities			
Current Liabilities			
Other financial liabilities	16	47 766 766	8 957 937
Finance lease obligation	14	-	148 790
Payables from exchange transactions	18	183 959 268	373 125 290
VAT payable	19	39 084 010	78 209 644
Consumer deposits	20	11 342 565	2 977 571
Unspent conditional grants and receipts	15	110 684 162	137 861 058
		392 836 771	601 280 290
Non-Current Liabilities			
Other financial liabilities	16	144 463 703	59 169 214
Provisions	17	42 345 630	44 879 824
		186 809 333	104 049 038
Total Liabilities		579 646 104	705 329 328
Net Assets		2 084 955 567	2 017 730 977
Net Assets			
Reserves			
Revaluation reserve	12	385 072 030	248 478 830
Insurance reserve	13	2 370 759	2 071 872
Accumulated surplus		1 697 512 778	1 767 180 275
Total Net Assets		2 084 955 567	2 017 730 977

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Service charges	24	254 098 773	250 824 945
Rental of facilities and equipment	40	14 635 149	13 412 900
Licences and permits		12 300 926	11 525 712
Decrease in provision		-	157 077 441
Other income	27	19 150 714	9 337 420
Interest received	33	25 972 596	30 387 161
Dividends received	33	-	3 754
Total revenue from exchange transactions		326 158 158	472 569 333
Revenue from non-exchange transactions			
<i>Taxation revenue</i>			
Property rates	23	151 866 136	136 097 059
<i>Transfer revenue</i>			
Government grants & subsidies	25	387 056 229	279 251 999
Public contributions and donations	26	-	851 200
Fines		1 351 313	2 063 415
Fair value adjustment on other financial liabilities		34 734 704	-
Total revenue from non-exchange transactions		575 008 382	418 263 673
Total revenue	22	901 166 540	890 833 006
Expenditure			
Personnel	29	(259 516 743)	(258 628 964)
Remuneration of councillors	30	(21 462 639)	(19 035 731)
Management fees	31	-	(1 165 958)
Depreciation and amortisation	35	(197 287 489)	(102 168 051)
Impairment loss	36	(138 923 119)	(6 319)
Finance costs	37	(19 935 752)	(5 471 875)
Debt impairment	32	(42 109 869)	(25 676 864)
Repairs and maintenance		(23 951 568)	(30 425 981)
Bulk purchases	43	(170 233 450)	(162 453 730)
Contracted services	41	(15 353 011)	(17 113 837)
Grants and subsidies paid	42	(34 960 383)	(27 882 836)
General Expenses	28	(134 402 214)	(116 488 225)
Total expenditure		(1 058 136 237)	(766 518 371)
Operating (deficit) surplus		(156 969 697)	124 314 635
Gain (loss) on disposal of assets and liabilities		13 158	(4 229 022)
Fair value adjustments	34	65 017 050	21 827 397
		65 030 208	17 598 375
(Deficit) surplus for the year		(91 939 489)	141 913 010

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	132 725 884	-	132 725 884	1 087 159 924	1 219 885 808
Adjustments					
Correction of errors	-	-	-	539 635 911	539 635 911
Change in accounting policy	-	-	-	-	-
Reclassification of insurance reserve	-	1 528 570	1 528 570	(1 528 570)	-
Balance at 01 July 2012 as restated*	132 725 884	1 528 570	134 254 454	1 625 267 265	1 759 521 719
Changes in net assets					
Cash flow hedges, net of tax					
• Fair value gains in the year	116 258 046	-	116 258 046	-	116 258 046
Current Year Movement	(505 100)	543 302	38 202	-	38 202
Net income (losses) recognised directly in net assets	115 752 946	543 302	116 296 248	-	116 296 248
Surplus for the year	-	-	-	141 913 010	141 913 010
Total recognised income and expenses for the year	115 752 946	543 302	116 296 248	141 913 010	258 209 258
Total changes	115 752 946	543 302	116 296 248	141 913 010	258 209 258
Balance at 01 July 2013	248 478 830	2 071 872	250 550 702	1 767 180 275	2 017 730 977
Changes in net assets					
Revaluation of Land and Buildings	136 593 200	-	136 593 200	-	136 593 200
Current Year Addition	-	298 887	298 887	22 271 992	22 570 879
Net income (losses) recognised directly in net assets	136 593 200	298 887	136 892 087	22 271 992	159 164 079
Surplus for the year	-	-	-	(91 939 489)	(91 939 489)
Total recognised income and expenses for the year	136 593 200	298 887	136 892 087	(69 667 497)	67 224 590
Total changes	136 593 200	298 887	136 892 087	(69 667 497)	67 224 590
Balance at 30 June 2014	385 072 030	2 370 759	387 442 789	1 697 512 778	2 084 955 567
Note(s)	12	13			

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Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Receipts from customers		459 437 326	404 041 330
Grants		359 879 337	318 998 486
Interest income		5 238 934	9 792 365
Dividends received		-	3 754
		<u>824 555 597</u>	<u>732 835 935</u>
Payments			
Employee costs		(277 365 864)	(261 215 277)
Suppliers		(334 919 791)	(329 505 933)
Finance costs		(12 709 707)	(675 431)
		<u>(624 995 362)</u>	<u>(591 396 641)</u>
Net cash flows from operating activities	44	<u>199 560 235</u>	<u>141 439 294</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(205 687 703)	(126 618 391)
Proceeds from sale of property, plant and equipment	4	539 658	-
Purchase of other intangible assets	5	(254 687)	144 545
Proceeds from sale of other intangible assets	5	-	-
Purchases of heritage assets	6	(334 000)	-
Proceeds from sale of investment property		108 500	505 100
Acquisition of Self Insurance	45	298 887	290 672
		<u>(205 329 345)</u>	<u>(125 678 074)</u>
Net cash flows from investing activities		<u>(205 329 345)</u>	<u>(125 678 074)</u>
Cash flows from financing activities			
Settlement of litigation		(256 275 887)	-
Payment of loans		(8 260 341)	3 126 367
Finance lease payments		(148 790)	(108 544)
Receipt from LGTA	45	160 000 000	-
		<u>(104 685 026)</u>	<u>3 017 823</u>
Net cash flows from financing activities		<u>(104 685 026)</u>	<u>3 017 823</u>
Net increase/(decrease) in cash and cash equivalents		<u>(110 454 136)</u>	<u>18 779 043</u>
Cash and cash equivalents at the beginning of the year		238 113 748	219 334 705
Cash and cash equivalents at the end of the year	11	<u>127 659 612</u>	<u>238 113 748</u>

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	265 256 546	1 385 693	266 642 239	254 098 773	(12 543 466)	
Rental of facilities and equipment	15 417 920	838 386	16 256 306	14 635 149	(1 621 157)	
Licences and permits	15 296 527	342 194	15 638 721	12 300 926	(3 337 795)	
Other income	36 223 346	6 752 282	42 975 628	19 150 714	(23 824 914)	
Interest received - investment	33 035 823	(2 044 937)	30 990 886	25 972 596	(5 018 290)	
Total revenue from exchange transactions	365 230 162	7 273 618	372 503 780	326 158 158	(46 345 622)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	146 761 137	7 170 000	153 931 137	151 866 136	(2 065 001)	
Government grants & subsidies	407 114 474	2 459 259	409 573 733	387 056 229	(22 517 504)	
Transfer revenue						
Fines	3 600 798	-	3 600 798	1 351 313	(2 249 485)	
Fair value adjustment on other financial liabilities	-	-	-	34 734 704	34 734 704	
Total revenue from non-exchange transactions	557 476 409	9 629 259	567 105 668	575 008 382	7 902 714	
Total revenue	922 706 571	16 902 877	939 609 448	901 166 540	(38 442 908)	
Expenditure						
Personnel	(267 937 258)	12 551 071	(255 386 187)	(259 516 743)	(4 130 556)	
Remuneration of councillors	(19 067 584)	(2 932 416)	(22 000 000)	(21 462 639)	537 361	
Depreciation and amortisation	(125 237 169)	12 495 334	(112 741 835)	(197 287 489)	(84 545 654)	
Impairment loss/ Reversal of impairments	-	-	-	(138 923 119)	(138 923 119)	
Finance costs	(5 241 726)	(6 656 138)	(11 897 864)	(19 935 752)	(8 037 888)	
Debt impairment	(68 161 554)	-	(68 161 554)	(42 109 869)	26 051 685	
Repairs and maintenance	(45 226 879)	16 518 645	(28 708 234)	(23 951 568)	4 756 666	
Bulk purchases	(181 850 296)	-	(181 850 296)	(170 233 450)	11 616 846	
Contracted Services	(10 935 859)	(3 000 000)	(13 935 859)	(15 353 011)	(1 417 152)	
Grants and subsidies paid	(35 112 807)	(2 351 516)	(37 464 323)	(34 960 383)	2 503 940	
Loss on disposal of assets	-	-	-	-	-	
General Expenses	(148 677 658)	(44 678 846)	(193 356 504)	(134 402 214)	58 954 290	
Total expenditure	(907 448 790)	(18 053 866)	(925 502 656)	(1 058 136 237)	(132 633 581)	
Operating deficit	15 257 781	(1 150 989)	14 106 792	(156 969 697)	(171 076 489)	
Gain on disposal of assets and liabilities	-	-	-	13 158	13 158	
Fair value adjustments	-	-	-	65 017 050	65 017 050	
	-	-	-	65 030 208	65 030 208	
Deficit before taxation	15 257 781	(1 150 989)	14 106 792	(91 939 489)	(106 046 281)	
Capital Expenditure	(232 958 000)	(90 620 000)	(323 578 000)	(220 531 016)	103 046 984	

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(217 700 219)	(91 770 989)	(309 471 208)	(312 470 505)	(2 999 297)	

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period. The following accounting standards have been issued by the ASB and are effective from 1 April 2012, which are applicable to the operations of the municipality during the current financial period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Asset Management and Intangible Assets

Assets: Management is required to exercise judgement when assessing the fair value/deemed cost of an asset, the extent of any potential impairment, the useful lives and depreciation methods applied to assets.

Intangible Assets: Management is required to assess the useful life of intangible assets based on the period the asset is expected to generate net cash inflows or service potential.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - **Provisions**.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The Municipality makes use of government bond rate to discount future cash flows in the event of it being material.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- - use in the production or supply of goods or services or for
- - administrative purposes, or
- - sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity is able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property if property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations is established by using the criteria that it can utilise to exercise judgment consistently in accordance with the definition of investment property and with the related guidance.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
the cost of the item can be measured reliably.

Property, plant and equipment except for land, buildings and community assets is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is subsequently carried at cost less accumulated depreciation and any impairment losses.

Land is not depreciated as it is regarded as having an infinite life. Land, Buildings and Community Assets are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

King Sabata Dalindyebo Local Municipality

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1.5 Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of land and buildings is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Infinite
Buildings	5-130 years
Plant and machinery	5-10 years
Furniture and fixtures	3-5 years
Office equipment	5-7 years
Computer equipment	5-7 years
Infrastructure	
• Roads and paving	30 years
• Access roads	3 years
• Pedestrian malls	30 years
• Electricity	10-50 years
• Sewerage	15-20 years
Community	
• Buildings	30-130 years
• Recreational equipment	20-30 years
• Security	5 years
• Halls	130 years
• Libraries	130 years
• Parks and gardens	20-30 years
• Sport fields	20-30 years
Other property, plant and equipment	
• Other vehicles	5 years
• Other items of plant and equipment	7-10 years
• Landfill sites	10 years
• Fire engines	10-20 years
Bins and containers	5 years
Other leased Assets	
• Motor vehicles	5 years
Laboratory equipment	5-7 years
Specialised vehicles	10 years
Heritage	Infinite
Cemetery	25-30 years
Stadium	25-30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Intangible assets

An asset is identifiable if it either:

is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	2-5 years

Intangible assets are derecognised:

on disposal; or
when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

King Sabata Dalindyebo Local Municipality

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Accounting Policies

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

King Sabata Dalindyebo Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	At fair value
Receivables from non-exchange transactions	At fair value
Cash and cash equivalents	At fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities (current portion)	Financial liability measured at amortised cost
Payables from exchange transactions	At fair value
Other financial liabilities (long term)	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

King Sabata Dalindyebo Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

Financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the municipality :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 (Increase)/decrease in inventories

(Increase)/decrease in inventories are initially measured at cost except where (increase)/decrease in inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently (increase)/decrease in inventories are measured at the lower of cost and net realisable value. The basis of determining the cost is the weighted average method.

(Increase)/decrease in inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

When (increase)/decrease in inventories are sold, the carrying amounts of those (increase)/decrease in inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of (increase)/decrease in inventories to net realisable value or current replacement cost and all losses of (increase)/decrease in inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of (increase)/decrease in inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of (increase)/decrease in inventories recognised as an expense in the period in which the reversal occurs.

1.11 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by progress certified from the service provider..

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Accounting Policies

1.11 Construction contracts and receivables (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) - the period of time over which an asset is expected to be used by the municipality; or
- (b) - the number of production or similar units expected to be obtained from the asset by the municipality.

Identification of a potential impairment

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

King Sabata Dalindyebo Local Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Recognition and measurement cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and value added taxes.

King Sabata Dalindyebo Local Municipality

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Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP 21 - Impairment of non-cash generating assets.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

King Sabata Dalindyebo Local Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.
- Commitments: Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. The disclosure is done to the extent that it has not already been recognised elsewhere in the financial statements. Therefore if an obligation or expenditure has been recognised in the financial statements, a commitment will not be disclosed (to the extent that it has already been recognised).

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, and dividends or similar distributions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised. Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investments is treated in accordance with the grant conditions. If it is payable to the funders, it is recorded as part of creditors, and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when : it is probable that the economic benefits or service potential associated with the transactions will flow to the entity. The amount of revenue can be measured reliably and to the extent that the conditions have been discharged and there has been a compliance with any restrictions associated with the grant.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Revenue from public contribution is recognised when all conditions associated with the contribution have been met or where contribution is to finance property, plant and equipment or when such items of property, plant and equipment are brought into use. Where contributions have been received but the conditions have not been met, a liability is recognised.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are recognised as revenue and as assets.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- - overspending of a vote or a main division within a vote; and
- - expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.23 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 2013-07-01 to 2014-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

King Sabata Dalindyebo Local Municipality

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The following standards of GRAP have been issued by the Accounting Standards Board but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The municipality has not early adopted any of these new standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 18: Segmented Reporting

GRAP 20: Related Party Disclosures

GRAP 32: Service Concession Arrangements

GRAP 105: Transfer of functions between entities under common control

GRAP 106: Transfer of functions between entities not under common control

GRAP 107: Mergers

GRAP 108: Statutory receivables

All other accounting standards that have been issued and effective as listed in directive 5 have been adopted by the entity and the annual financial statements have been prepared in accordance with these.

3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	189 419 900	-	189 419 900	124 511 350	-	124 511 350

Reconciliation of investment property - 2014

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	124 511 350	(108 500)	65 017 050	189 419 900

Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Total
Investment property	103 189 053	21 322 297	124 511 350

Details of property

Property 1

The municipality has long term lease agreements of land where improvements are effected by investors for commercial purposes

- Additions since purchase or valuation	276 040 900	124 511 350
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

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3. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2014. Revaluations were performed by an independent valuer, Mr Kwasi Agyaben-Boateng, of Messrs Khanyisa Property Management Services. Khanyisa Property Management Services are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	1 495 177	1 346 753
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King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

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4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	238 150 500	-	238 150 500	182 983 100	-	182 983 100
Buildings	302 750 434	(32 150 208)	270 600 226	268 251 206	(19 585 291)	248 665 915
Infrastructure	1 738 243 644	(858 380 378)	879 863 266	1 706 063 261	(559 662 884)	1 146 400 377
Community	474 498 063	(37 909 239)	436 588 824	427 748 728	(17 133 953)	410 614 775
Other property, plant and equipment	22 424 538	(11 549 665)	10 874 873	17 591 615	(8 611 009)	8 980 606
Work in progress	414 011 044	-	414 011 044	263 087 111	-	263 087 111
Specialised vehicles	29 563 898	(10 436 887)	19 127 011	14 256 695	(11 316 629)	2 940 066
Total	3 219 642 121	(950 426 377)	2 269 215 744	2 879 981 716	(616 309 766)	2 263 671 950

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	182 983 100	-	(526 500)	-	55 693 900	-	-	-	238 150 500
Buildings	248 665 915	-	-	-	34 499 228	-	(12 564 917)	-	270 600 226
Infrastructure	1 146 400 377	32 180 384	-	-	-	-	(159 794 375)	(138 923 120)	879 863 266
Community	410 614 775	683 262	-	-	46 066 073	-	(20 775 286)	-	436 588 824
Other property, plant and equipment	8 980 606	4 403 103	-	-	-	429 820	(2 938 656)	-	10 874 873
Work in progress	263 087 111	167 881 556	-	(16 957 623)	-	-	-	-	414 011 044
Specialised vehicles	2 940 066	17 318 642	-	-	-	-	(1 131 697)	-	19 127 011
Total	2 263 671 950	222 466 947	(526 500)	(16 957 623)	136 259 201	429 820	(197 204 931)	(138 923 120)	2 269 215 744

King Sabata Dalindyebo Local Municipality

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Land	147 319 983	-	(4 240 000)	-	40 208 300	(305 183)	-	182 983 100
Buildings	263 249 000	-	-	-	44 277 557	(39 275 351)	(19 585 291)	248 665 915
Infrastructure	587 287 054	8 072 202	-	-	-	614 133 313	(63 092 192)	1 146 400 377
Community	344 115 687	-	-	1 447 523	31 393 985	50 791 533	(17 133 953)	410 614 775
Other property, plant and equipment	10 145 793	5 223 134	-	-	-	(4 537 897)	(1 850 424)	8 980 606
Work in progress	150 181 356	120 977 956	-	(8 072 201)	-	-	-	263 087 111
Specialised vehicles	2 586 856	851 200	-	-	-	-	(497 990)	2 940 066
	1 504 885 729	135 124 492	(4 240 000)	(6 624 678)	115 879 842	620 806 415	(102 159 850)	2 263 671 950

Revaluations

The effective date of the revaluations was 30 June 2014. Revaluations were performed by an independent valuer, Mr Kwasi Agyaben-Boateng, of Messrs Khanyisa Property Management Services. Messrs Khanyisa Property Management Services are not connected to the municipality.

Land, buildings and community assets are re-valued independently after 3-5 years.

These assumptions were based on current market conditions.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

King Sabata Dalindyebo Local Municipality

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5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 203 944	(763 864)	440 080	866 698	(681 305)	185 393

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	185 393	337 245	(82 558)	440 080

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	242 733	171 637	(220 776)	(8 201)	185 393

6. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Recreational parks	4 697 000	-	4 697 000	4 363 000	-	4 363 000

Reconciliation of heritage assets 2014

	Opening balance	Revaluation increase/(decrease)	Total
Recreational parks	4 363 000	334 000	4 697 000

Reconciliation of heritage assets 2013

	Opening balance	Transfers	Total
Recreational parks	-	4 363 000	4 363 000

7. Prepayments

8. Inventories

Consumable stores	4 309 258	2 434 459
Electrical Components	5 219 408	664 340
	9 528 666	3 098 799

9. Receivables from exchange transactions

Trade debtors	41 974 548	74 449 159
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King Sabata Dalindyebo Local Municipality

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9. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2014 : R17 818 839, (2013: R 11 899 277) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	8 543 798	5 964 043
2 months past due	5 587 536	5 935 234
3 months past due	3 687 506	-

Trade and other receivables impaired

As of 30 June 2014, trade and other receivables of R 143 991 329 (2013: R 100 411 012) were impaired and provided for.

The amount of the provision was R 143 991 329 as of 30 June 2014 (2013: R (100 411 012)).

Reconciliation of provision for impairment of trade and other receivables

Opening balance	100 411 012	100 411 012
Provision for impairment	43 580 317	-
	143 991 329	100 411 012

10. Receivables from non-exchange transactions

Impairment allowance	(112 153 600)	(113 701 140)
Property rates	133 219 099	128 158 276
Other receivables from non-exchange transactions	167 820	167 820
Consumer debtors old balances	71 794	-
	21 305 113	14 624 956

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 6 109 325 (2013: R11 899 277) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2 427 859	4 437 094
2 months past due	1 980 195	4 415 661
3 months past due	1 701 271	3 046 532

Receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 114 632 967 (2013: R 113 701 140) were impaired and provided for.

The amount of the provision was R 114 632 967 as of 30 June 2014 (2013: R 113 701 140).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	113 701 140	88 024 276
Provision for impairment	931 827	25 676 864
	114 632 967	113 701 140

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1 050	1 050
Bank balances	5 009 482	21 280 631
Dedicated accounts- Short-term Investments	118 535 704	133 352 615
Own Investments- Short-term	4 113 376	83 479 452
	127 659 612	238 113 748

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Excess cash is invested with reputable financial institutions with good credit ratings.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
FNB- Call Account - 62090323636	549 033	3 376 788	21 595 167	550 988	3 376 788	21 595 167
ABSA Bank - Call Account - 4061496604	456 567	4 591 297	2 632 484	456 112	4 591 297	2 632 484
ABSA Bank - Cheque Account - 4048218780	3 702 280	13 320 139	14 039 956	3 993 752	13 290 760	14 873 671
ABSA Bank - CashFocus - 4053806112	34 030	21 728	15 000	20 781	21 785	15 000
ABSA Bank - Call Account - 408400474	-	-	376	-	-	376
ABSA Bank - Call Account - 91584142285	-	146 045	145 039	-	146 045	145 039
Nedbank Term Deposit	-	25 334 345	25 240 988	-	25 334 344	25 240 988
ABSA Bank - Call Account - MFAG- 9263297136	-	63 221	62 884	-	-	62 884
Self Insurance Reserve	2 370 759	2 071 872	1 781 202	2 370 759	2 071 872	1 781 202
ABSA Bank Investment	-	14 813 531	14 096 666	-	14 813 531	14 096 666
ABSA Bank - Call Account - Nduli Nature Reserve - 9260787407	-	112 401	12 212	-	112 401	12 212
Transkei United Dairies 9279137106	1 845 835	35 635 721	-	1 852 283	35 635 721	-
ABSA Bank - Call Account - Ngangelizwe- 9105768376	3 189 006	4 082 980	5 236 766	3 200 260	4 082 980	5 236 766
ABSA Bank - Call Account - MTAB- 9061932550	514 265	2 527 131	2 778 618	517 079	2 527 131	2 778 618
ABSA Bank - Call Account - Unclaimed Group Life- 9057846202	2 185 286	2 104 889	2 014 240	2 192 919	2 104 889	2 014 240
Zimbane Heights ABSA 9279140385	5 311 980	5 986 135	-	5 330 535	5 986 135	-
ABSA Bank - Target Save	162 904	224 878	168 962	229 894	224 876	168 962
ABSA Bank - Call Account - 9260110876	-	-	1 382 840	-	-	1 382 840
ABSA Bank - Call Account - MIG - 9148935255	9 551	28 333 465	1 902 332	42 434	28 333 465	1 902 332
ABSA Bank - Call Account - 9061932576 (Closed)	-	-	262	-	-	262
ABSA Bank - Call Account - Disaster Management- 9111059492	2 300 889	2 526 445	3 025 262	2 309 010	2 526 445	3 025 262
ABSA Bank - Call Account - DOE- 9259916285	67 371 176	7 171 396	17 296 090	67 371 176	7 171 396	17 296 090
ABSA Bank - Call Account - FMG- 9118940521 (Closed)	-	200 282	976 168	-	200 282	976 168
ABSA Bank - Call Account - Firestation- 9260112315	2 333 449	2 148 776	2 485 721	2 341 669	2 148 776	2 485 721
ABSA Bank - Call Account - DOT- 9282955018	7 638 419	7 655 783	9 897 479	7 664 902	7 655 783	9 897 479
ABSA Bank - Call Account - Grant Admin- 9260118400	430 000	432 973	449 911	431 514	432 973	449 911
ABSA Bank - Call Account - Multi-purpose Community Centre- 9272373062	1 857 644	1 789 265	4 383 410	1 864 133	1 789 265	4 383 410

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand					2014	2013
11. Cash and cash equivalents (continued)						
ABSA Bank - Call Account - Ngangelizwe ISUP- 9264472169	119 546	5 859	5 607	119 963	3 443 387	5 607
MEEG Bank - Call Account - Zimbane Valley -4052547579 (Closed)	-	-	11 044	-	-	11 044
ISUP Hillcrest Call Account 9281805743	2 194 585	9 223 072	-	2 202 251	9 223 072	-
ABSA Bank - Call Account - ISUP Joe Slovo- 9264255581	14 270 370	6 443 654	18 004 007	14 270 370	6 443 654	18 004 007
ABSA Bank - Call Account - ISUP Maydene- 9264472915	6 084	3 443 387	13 802 642	6 106	5 859	13 802 642
ABSA Bank - Call Account - 9264472541	2 774 491	6 008 112	6 980 295	2 784 182	6 008 112	6 980 295
MEEG Bank - Call Account - Zimbane Valley- 9098250933 (Closed)	-	-	1 917	-	-	1 917
ABSA Bank - Call Account - IDP Projects- 9260111987 (Closed)	-	12 106	20 060	-	12 106	20 060
MEEG Bank - Call Account - Pre-paid Income - 4055913797 (Closed)	-	-	895	-	-	895
INVESTEC BANK INVETMENT 1100456924	206 644	38 464 752	36 694 000	(680 197)	38 464 752	36 694 000
ABSA Bank - Call Account - Khuphukani- 9260111652 (Closed)	-	44 800	1 620 213	-	44 800	1 620 213
ABSA Bank - Call Account - 9152551667 (Closed)	-	465 184	461 981	-	465 184	461 981
ABSA Bank - Call Account - KSD Elections Road - 9260118662	251 446	544 391	570 717	252 966	544 391	570 717
ABSA - Call Account - KSD Intervention- 4061496125	30 135	1 012 999	1 036 333	30 144	1 012 999	1 036 333
ABSA Bank - Call Account - 9060987300 (Closed)	-	-	18 506	-	-	18 506
ABSA Bank - Call Account - MSG- 9097169945	53 893	54 326	151 875	54 083	54 326	151 875
ABSA Bank - Call Account - 9090409506 (Closed)	-	21 642	22 977	-	21 642	22 977
ABSA Bank - Call Account - 9103186342 (Closed)	-	-	213 160	-	-	213 160
ABSA Bank - Call Account - Infrastructure Skills- 9285398815	930 232	-	-	930 232	-	-
ABSA Bank - Call Account - Mqanduli Milling Project- 9118441412	3 738	3 871	3 844	3 737	3 871	3 844
ABSA Bank - Call Account - MSIG- 9153705564	212 486	364 258	897 397	213 757	364 258	897 397
ABSA Bank - Call Account - Performance Management- 9262471098 (Closed)	-	80 564	85 024	-	80 564	85 024
ABSA Bank - Call Account - MFAG - 9263297136 (Closed)	-	35 840	162 052	-	35 840	162 052
ABSA Bank - Call Account - 9116635326 (Closed)	-	-	365 869	-	-	365 869
ABSA Bank - Call Account - 9102535607 (Closed)	-	-	510 283	-	-	510 283
Maydene Farm Extension 9279137350	2 179 232	3 629 352	-	2 186 845	3 629 352	-

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand					2014	2013
11. Cash and cash equivalents (continued)						
ABSA Bank - Call Account - Kuyasa Housing Project-9103185142 (Closed)	-	-	3 775	-	-	3 775
ABSA Bank - Call Account - Rural Plannin and Survey - 9260110101	468 034	452 332	474 933	469 633	452 332	474 933
ABSA Bank - Call Account - Uphuhliso Lwethu - 9260112632	179 120	209 947	243 075	179 751	209 947	243 075
ABSA Bank - Call Account - Organogram - 9260110397	294 477	741 635	771 012	295 522	741 635	771 012
ABSA Bank - Call Account - Maydene Hosing Project - 9057562525 (Closed)	-	-	782 374	-	-	782 374
Library Grant Call account 9279137211	1 034 561	1 697 121	-	1 038 544	1 697 121	-
ABSA Bank - Call Account - Mqanduli Middle Income-9095799392	333 651	335 966	349 670	334 829	335 966	349 670
ABSA Bank - Call Account - Light the Pilot - 9260109699	236 946	238 586	255 257	237 781	238 586	255 257
FNB Main Operating Account -	1 027	-	-	(12 137)	-	-
Total	128 043 771	238 205 242	216 140 829	127 658 562	238 112 696	216 974 544
12. Revaluation reserve						
Opening balance					248 478 830	132 220 784
Change during the year					136 593 200	116 258 046
					385 072 030	248 478 830
13. Insurance reserve						
Opening Balance					2 071 872	1 528 570
Movement					298 887	543 302
					2 370 759	2 071 872
14. Finance lease obligation						
Minimum lease payments due						
- within one year					-	148 790
Present value of minimum lease payments due						
- within one year					-	148 790

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
15. Unspent conditional grants		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Human Settlement Projects	30 568 568	69 551 829
National: Electricity Demand Side Management	117 351	4 426 412
Grant Admin Development	430 000	430 000
Community Multi Purpose Community Centres	1 990 558	1 915 690
Provincial: Uphuhliso Lwethu	178 503	178 503
Provincial: MTAB Grant	514 265	2 509 715
National: Municipal Infrastructure Grant	-	28 640 809
National: Finance Management Grant	-	61 806
Provincial: Intervention Grant	31 081	1 008 672
Provincial: Municipal Systems Improvement Grant	192 554	35 915
Provincial: IDP	-	12 009
Provincial: Khuphukani Cluster Project	-	1
Provincial: Rural Planning & Survey	449 250	449 250
Provincial: Light the Pilot	236 947	236 947
KSD Elections - Road Maintenance	251 720	540 650
Performance Management System	-	80 000
National: Municipal Finance Assistance Grant	-	34 967
National: Department of Housing	333 652	355 145
Library Grant	1 033 995	1 685 672
Provincial: Urban Renewal Grant	3 179 064	3 461 947
Infrastructure Skills Development	980 548	1 500 000
Provincial: Organogram Development	294 477	736 539
Provincial: Department of Transport Taxi Rank	7 236 277	7 236 277
Provincial: Disaster Management Grant	2 300 889	2 307 890
Provincial: Fire Station Refurbishment	2 333 450	2 333 450
Provincial: Municipal Support Grant	53 893	53 893
Department of Energy - Electrification Project	57 977 120	8 077 070
	110 684 162	137 861 058
Movement during the year		
Balance at the beginning of the year	137 861 058	92 574 305
Additions during the year	168 704 000	331 040 973
Income recognition during the year	(196 366 345)	(286 450 597)
Interest received	2 195 140	696 377
Transfers out	(1 709 691)	-
	110 684 162	137 861 058
16. Other financial liabilities		
Designated at fair value		
Department of Local Government and Traditional Affairs	132 363 663	-
The loan is repayable in 3 annual instalments effective 1 July 2014 and is an interest free loan. The loan of R160 million has been fair valued at an uninterest rate of 8.5%.		

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
16. Other financial liabilities (continued)		
At amortised cost		
Annuity loans : DBSA DBSA Loan 61001245 is redeemable in March 2018 and the borrowing rate is 8%. DBSA Loan 61003135 is redeemable in December 2020 and the borrowing rate is based on the JIBAR rate. DBSA Loan 61001048 is redeemable in 2026 and the borrowing rate is 6.75%.	30 954 182	34 044 202
Local Registered Stock Loans : PIC Loan The PIC Loan is redeemable in December 2018 and the borrowing rate is 8%. KSD cedes to PIC in securitatem debiti rights in the municipal building of the KSD situated at erf 9441, 47 to 49 Sutherland Street, Mthatha , measuring 8,309 square metres.	28 912 624	34 082 949
	59 866 806	68 127 151
Total other financial liabilities	192 230 469	68 127 151
Non-current liabilities		
Designated at fair value	52 674 698	-
At amortised cost	91 789 005	59 169 214
	144 463 703	59 169 214
Current liabilities		
Designated at fair value	7 192 108	-
At amortised cost	40 574 658	8 957 937
	47 766 766	8 957 937

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

17. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Movement	Total
Environmental rehabilitation	27 259 824	127 681	27 387 505
Provision for long service award	17 620 000	(2 661 875)	14 958 125
	44 879 824	(2 534 194)	42 345 630

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year and other movements	Total
Environmental rehabilitation	26 271 201	988 623	-	27 259 824
Legal proceedings	389 179 463	-	(389 179 463)	-
Provision for long service award	-	17 620 000	-	17 620 000
	415 450 664	18 608 623	(389 179 463)	44 879 824

Environmental rehabilitation provision

The provision relates to the rehabilitation of landfill sites. At the current valuation date, 30 June 2014 the duration of liabilities was 16 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2014 is 9.44% per annum. The assumed discount rate used at the previous valuation, 30 June 2013, was 8.02% per annum determined in the same way. At 30 June 2014 the yield on inflation linked bonds of a similar term was about 1.84% per annum. This implies an underlying expectation of inflation of 6.97% per annum with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

Provision for long service award

Service cost increased the liability by R1 39 2000. Interest cost over the valuation period resulted in an increase in liability by R1 209 000. Some of the employees attained milestones during the valuation period and this resulted in bonus payments of R5 006 875 which reduced the accrued liability by the same margin.

The net discount rate increased by 0.55% over the valuation period. The salary assumption of 7.15% as at 30 June 2013 was lower than the actual increases experienced in the current valuation.

Provision for long service award

	2014	2013
Opening net liability	17 620 000	14 636 000
Service cost	1 392 000	1 168 000
Interest cost	1 209 000	1 159 000
Actuarial gain/loss	(256 000)	1 837 000
Bonus Paid	(5 006 875)	(1 180 000)
	14 958 125	17 620 000

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
18. Payables from exchange transactions		
Trade payables	87 543 918	39 640 490
Income received in advanced	2 213 186	2 259 135
Unclaimed group life assurance	2 014 240	2 014 240
UIF councillors	-	78 195
Accrued leave pay	32 418 104	26 142 715
Accrued bonus	-	-
Accrued expense	15 752 260	8 900 810
Deposits received	920 931	652 850
Other payables	22 521 845	25 059 970
Insurance claims	471 139	471 139
Litigations liability	-	256 275 887
Unknown deposits	4 809 142	3 423 053
National Revenue Fund - Funds to be surrendered	1 285 257	1 285 257
Retention	1 737 639	-
Debtors with credit balances	-	-
Study loans	24 335	24 335
Staff prepaid houses	1 075 999	1 075 999
Salary payovers	11 171 273	5 821 215
	183 959 268	373 125 290

19. VAT payable

Tax refunds payables	39 084 010	78 209 644
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20. Consumer deposits

Electricity	11 342 565	2 977 571
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21. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	41 974 548	41 974 548
Other receivables from non-exchange transactions	21 305 113	21 305 113
Cash and cash equivalents	127 659 612	127 659 612
	190 939 273	190 939 273

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	132 363 663	59 866 806	192 230 469
Trade and other payables from exchange transactions	183 959 268	-	183 959 268
	316 322 931	59 866 806	376 189 737

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
22. Revenue		
Service charges	254 098 773	250 824 945
Rental of facilities and equipment	14 635 149	13 412 900
Licences and permits	12 300 926	11 525 712
Decrease in provision	-	157 077 441
Other income	19 150 714	9 337 420
Interest received	25 972 596	30 387 161
Dividends received	-	3 754
Property rates	151 866 136	136 097 059
Government grants & subsidies	387 056 229	279 251 999
Public contributions and donations	-	851 200
Fines	1 351 313	2 063 415
Fair value adjustment on other financial liabilities	34 734 704	-
	901 166 540	890 833 006

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	254 098 773	250 824 945
Rental of facilities and equipment	14 635 149	13 412 900
Licences and permits	12 300 926	11 525 712
Decrease in provision	-	157 077 441
Other income	19 150 714	9 337 420
Interest received	25 972 596	30 387 161
Dividends received	-	3 754
	326 158 158	472 569 333

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	151 866 136	136 097 059
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Transfer revenue

Government grants & subsidies	387 056 229	279 251 999
Public contributions and donations	-	851 200
Fines	1 351 313	2 063 415
Other transfer revenue 1	34 734 704	-
	575 008 382	418 263 673

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

23. Property rates

Rates received

Residential	35 242 766	31 450 953
Commercial	43 331 067	43 503 011
State	72 944 019	60 910 136
Municipal - parking	348 284	232 959
	151 866 136	136 097 059

Valuations

Residential	3 518 095 000	3 238 251 500
Commercial	2 166 264 500	3 333 520 000
State	1 684 832 500	553 699 500
Municipal	583 708 000	727 871 500
Small holdings and farms	30 471 500	10 889 000
Open spaces	90 119 000	1 847 000
Places of public worship	71 426 500	68 724 500
Public benefit organisations	-	5 433 000
Vacant land	283 439 500	337 405 500
Schools	476 061 500	433 574 000
	8 904 418 000	8 711 215 500

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The municipality received an extension from the MEC for 1 year.

24. Service charges

Sale of electricity	231 605 830	231 009 051
Refuse removal	22 492 943	19 815 894
	254 098 773	250 824 945

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies		
Operating grants		
Equitable Share	184 568 581	161 236 000
Health Subsidy Grant	4 460 778	6 046 883
VAT Capital	134 523	417 248
Electricity Demand Side Management Grant	4 260 678	3 156 340
Disaster Management Grant	7 001	549 171
Infrastructure Skills Development	2 488 561	-
MTAB Grant	1 750 395	-
Elections Road Repairs Grant	288 930	-
MIG	2 580 344	1 189 320
Grant: Other	21 493	-
MM Intervention Grant	967 491	-
Organogram Development	438 782	-
Performance Management Grant	70 175	-
SETA Grant	646 450	1 313 968
MSIG Grant	727 866	764 085
FMG	1 610 280	2 084 026
Municipal Finance Assistance Grant	34 967	126 720
IDP Grant	11 425	2 100
Library Grant	2 340 653	28 328
Urban Renewal	281 663	-
Expanded Public Program Grant	1 000 000	1 000 000
	208 691 036	177 914 189
Capital grants		
VAT Component: Capital Grants	10 670 320	866 813
Human Settlement	39 408 504	33 813 972
MIG	84 062 634	26 383 649
DOE Grant	44 223 735	19 678 157
Ngangelizwe Urban Renewal Grant	-	4 984 332
Multi-Purpose Community Halls	-	15 610 887
	178 365 193	101 337 810
	387 056 229	279 251 999
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received (see breakdown below)	196 380 420	109 655 148
Unconditional Grant: Equitable Share	184 568 581	161 236 000
Unconditional Grant: Health Subsidy	4 460 778	6 046 883
Unconditional Grant: SETA	646 450	1 313 968
Unconditional Grant: EPWP Subsidy	1 000 000	1 000 000
	387 056 229	279 251 999
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R15 288 600 - (2013: R7 834 183 -), which is funded from the grant.		
Human Settlements ISUP		
Balance unspent at beginning of year	69 551 829	42 370 192
Conditions met - transferred to revenue	(39 408 504)	(33 557 357)
Current - Year Receipts	-	60 962 643
Interest Received	2 120 281	(311 789)

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Transfers Out	(1 695 038)	-
Other	-	88 140
	30 568 568	69 551 829
Conditions still to be met - remain liabilities (see note 15).		
Electricity Demand Site Management		
Balance unspent at beginning of year	4 426 412	-
Current-year receipts	-	8 000 000
Conditions met - transferred to revenue	(4 309 061)	(3 573 588)
	117 351	4 426 412
Conditions still to be met - remain liabilities (see note 15).		
National : Grant Administration		
Balance unspent at beginning of year	430 000	430 000
Current-year receipts	-	-
	430 000	430 000
Conditions still to be met - remain liabilities (see note 15).		
DOHS: Community Multipurpose Centre - Ngangelizwe		
Balance unspent at beginning of year	1 915 690	32 258
Current-year receipts	-	17 401 608
Conditions met - transferred to revenue	-	(15 610 887)
Other	74 868	92 711
	1 990 558	1 915 690
Conditions still to be met - remain liabilities (see note 15).		
Uphuhliso Lwethu		
Balance unspent at beginning of year	178 503	208 503
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(30 000)
	178 503	178 503
Conditions still to be met - remain liabilities (see note 15).		
Provincial: MTAB Grant		
Balance unspent at beginning of year	2 509 715	2 509 715
Current-year receipts	-	-
Conditions met - transferred to revenue	(1 995 450)	-
	514 265	2 509 715
Conditions still to be met - remain liabilities (see note 15).		

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	28 640 809	74 677
Current-year receipts	63 872 000	56 139 000
Conditions met - transferred to revenue	(92 512 809)	(27 572 868)
	-	28 640 809
Conditions still to be met - remain liabilities (see note 15).		
National: Financial Management Grant		
Balance unspent at beginning of year	61 806	645 832
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 611 806)	(2 084 026)
	-	61 806
Conditions still to be met - remain liabilities (see note 15).		
Provincial: Intervention Grant		
Balance unspent at beginning of year	1 008 672	1 008 672
Conditions met - transferred to revenue	(977 591)	-
	31 081	1 008 672
Conditions still to be met - remain liabilities (see note 15).-670609		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	35 915	-
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(733 361)	(764 085)
	192 554	35 915
Conditions still to be met - remain liabilities (see note 15).		
Provincial: Intergrated Development Plan		
Balance unspent at beginning of year	12 009	14 109
Conditions met - transferred to revenue	(12 009)	(2 100)
	-	12 009
Conditions still to be met - remain liabilities (see note 15).		
Provincial: Khuphukani Cluster Project		
Balance unspent at beginning of year	1	1 554 394
Other (transferred back to the funder)	(1)	(1 554 393)
	-	1
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
Provincial: Rural planning & survey		

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Balance unspent at beginning of year	449 250	449 250
Conditions still to be met - remain liabilities (see note 15).		
Provincial: Light the Pilot Media		
Balance unspent at beginning of year	236 947	236 947
Conditions still to be met - remain liabilities (see note 15).		
Provincial: KSD Elections - Road Maintenance		
Balance unspent at beginning of year	540 650	540 650
Conditions met - transferred to revenue	(288 930)	-
	251 720	540 650
Conditions still to be met - remain liabilities (see note 15).		
Performance Management System		
Balance unspent at beginning of year	80 000	80 000
Conditions met - transferred to revenue	(80 000)	-
	-	80 000
Conditions still to be met - remain liabilities (see note 15).		
National: Municipal Finance Assistance Grant		
Balance unspent at beginning of year	34 967	161 687
Conditions met - transferred to revenue	(41 800)	(126 720)
Other	6 833	-
	-	34 967
Conditions still to be met - remain liabilities (see note 15).		
Department of Housing and Local Government Grant		
Balance unspent at beginning of year	355 145	2 395 146
Other	(21 493)	(2 040 001)
	333 652	355 145
Conditions still to be met - remain liabilities (see note 15).		
Library Grant		
Balance unspent at beginning of year	1 685 672	-
Current-year receipts	1 714 000	1 714 000
Conditions met - transferred to revenue	(2 365 677)	(28 328)
	1 033 995	1 685 672
Conditions still to be met - remain liabilities (see note 15).		
National: Inter Governmental Grant		

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 15).		
Provincial: Urban Renewal Grant		
Balance unspent at beginning of year	3 461 947	3 446 279
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	(282 883)	(4 984 332)
	3 179 064	3 461 947
Conditions still to be met - remain liabilities (see note 15).		
Infrastructure Skills Development		
Balance unspent at beginning of year	1 500 000	-
Current-year receipts	2 000 000	1 500 000
Conditions met - transferred to revenue	(2 519 452)	-
	980 548	1 500 000
Conditions still to be met - remain liabilities (see note 15).		
Organogram Development		
Balance unspent at beginning of year	736 539	736 539
Current-year receipts	-	-
Conditions met - transferred to revenue	(442 062)	-
	294 477	736 539
Conditions still to be met - remain liabilities (see note 15).		
Department of Transport: Taxi Rank		
Balance unspent at beginning of year	7 236 277	7 236 277
Current-year receipts	-	-
	7 236 277	7 236 277
Conditions still to be met - remain liabilities (see note 15).		
Provincial: Disaster Management Grant		
Balance unspent at beginning of year	2 307 890	2 857 061
Current-year receipts	-	-
Conditions met - transferred to revenue	(7 001)	(549 171)
	2 300 889	2 307 890
Conditions still to be met - remain liabilities (see note 15).		
Provincial: Fire Station Refurbishment		
Balance unspent at beginning of year	2 333 450	2 333 450
Current-year receipts	-	-
	2 333 450	2 333 450
Conditions still to be met - remain liabilities (see note 15).		

King Sabata Dalindyebo Local Municipality

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Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Provincial: Municipal Support Grant		
Balance unspent at beginning of year	53 893	143 584
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(89 691)
	53 893	53 893
Conditions still to be met - remain liabilities (see note 15).		
Transkei Diaries		
Conditions still to be met - remain liabilities (see note 15).		
Zimbane Heights		
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
National: Department of Energy - Electrification Project		
Balance unspent at beginning of year	8 077 070	16 130 799
Current-year receipts	98 678 000	15 420 000
Conditions met - transferred to revenue	(48 777 950)	(19 900 141)
Other (Demand Side Management)	-	(3 573 588)
	57 977 120	8 077 070
Conditions still to be met - remain liabilities (see note 15).		
Rural Transport Plan		
Conditions still to be met - remain liabilities (see note 15).		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Act, <u>2013</u> , no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
26. Public contributions and donations		
Public contributions and donations	-	851 200

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
27. Other income		
Building plan approvals	1 846 522	733 523
Call out revenue	2 159	6 979
Disconnection fees	324 638	426 863
VAT refunds	(1)	-
Insurance claims	100 459	238 539
Meter testing	530 472	846 458
State funeral	9 713 899	-
Tender fees	421 080	196 316
Recoveries	1 096 821	822 260
Pound fees	29 796	14 404
Fees earned	4 718 854	5 692 071
Legal fees recoveries	-	75 675
Sundry income	366 015	284 332
	19 150 714	9 337 420
28. General expenses		
Advertising	506 677	318 277
Auditors remuneration	6 406 945	6 414 323
Bank charges	1 296 777	1 121 109
Cleaning	3 231 697	1 938 569
Commission paid	2 023 695	2 039 221
Consulting and professional fees	13 849 325	12 549 338
Consumables	3 090 260	2 234 046
Entertainment	321 042	860 318
Insurance	1 248 384	4 119 813
Community development and training	1 672 362	2 545 350
Conferences and seminars	902 355	2 733 100
Lease rentals on operating lease	38 875 596	39 278 962
Promotions and sponsorships	2 068 378	2 009 124
Levies	2 317 770	2 065 286
Magazines, books and periodicals	66 087	176 120
Municipal service charges	2 696 880	3 293 030
Motor vehicle expenses	131 160	147 155
Fuel and oil	5 996 310	5 186 794
Printing and stationery	1 522 630	1 981 418
Rehabilitation of tip sites	2 312 818	1 972 434
Royalties and license fees	1 864 491	1 848 010
Staff welfare	255 794	374 334
Subscriptions and membership fees	4 618	1 800
Telephone and fax	5 216 684	5 804 022
Training	3 091 903	3 423 016
Subsistence and travel	3 731 873	3 818 259
Uniforms	512 486	314 821
Tourism development	400 936	486 074
Materials and stores	3 414 402	1 189 583
Valuation expenses	2 013 604	200 404
Recruitment expenses	867 823	375 799
Solid waste management	838 913	624 596
Erven cleaning fees	107 122	2 619 377
State funeral expenses	18 076 037	-
Other expenses	3 468 380	2 424 343
	134 402 214	116 488 225

King Sabata Dalindyebo Local Municipality

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Notes to the Financial Statements

Figures in Rand	2014	2013
29. Employee related costs		
Basic	148 834 894	137 349 966
Bonus	10 378 538	9 544 127
Medical aid - company contributions	17 149 528	16 505 713
UIF	1 503 240	1 416 904
WCA	1 542 822	854 067
SDL	2 348 929	2 624 262
Leave pay provision charge	7 883 759	1 204 693
Other short term costs	14 469	3 196 315
Defined contribution plans	19 663 508	18 208 774
Travel, motor car, accommodation, subsistence and other allowances	11 225 835	9 517 935
Overtime payments	11 757 225	10 866 126
Long-service awards	1 896 000	21 670 424
Acting allowances	8 034 273	8 673 293
Housing benefits and allowances	13 236 349	12 565 005
Termination benefits	4 047 374	4 431 360
	259 516 743	258 628 964
Remuneration of Municipal Manager		
Annual remuneration	933 602	857 630
Car allowance	312 866	382 683
Contributions to UIF, medical and pension funds	62 419	50 593
Other	86 299	68 775
	1 395 186	1 359 681
Remuneration of Chief Finance Officer		
Annual remuneration	811 885	623 224
Car allowance	144 000	306 443
Contributions to UIF, medical and pension funds	114 532	43 713
Other	83 312	-
	1 153 729	973 380
Remuneration of Director: Technical Services		
Annual remuneration	1 093 885	145 656
Contributions to UIF, medical and pension funds	12 833	-
Other	68 758	-
	1 175 476	145 656
Remuneration of Director : Community Services		
Annual remuneration	1 083 680	826 644
Car allowance	-	97 860
Contributions to UIF, medical and pension funds	12 894	1 713
Other	60 055	-
	1 156 629	926 217
Remunertaion of Director : Corporate services		
Annual remuneration	-	566 667
Car allowance	-	40 884
Contributions to UIF, medical and pension funds	-	1 118
	-	608 669

King Sabata Dalindyebo Local Municipality

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Figures in Rand	2014	2013
29. Employee related costs (continued)		
Remuneration of director : Public Safety		
Annual Remuneration	-	676 351
Car allowance	-	172 467
Contributions to UIF, medical and pension funds	-	1 713
	-	850 531
Remuneration of director : Human Settlements		
Annual remuneration	1 098 852	842 238
Car allowance	-	69 630
Contributions to UIF, medical and pension funds	13 326	1 713
Other	79 467	-
	1 191 645	913 581
Remuneration of Director: Local Economic Development		
Annual remuneration	1 083 680	826 644
Car allowance	-	17 962
Contributions to UIF, medical and pension funds	12 717	1 713
Other	9 600	-
	1 105 997	846 319
30. Remuneration of councillors		
Executive Mayor	942 854	710 355
Chief Whip	587 309	535 798
Speaker	668 029	564 838
Councillors	19 264 446	17 224 739
	21 462 638	19 035 730
In-kind benefits		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor and the Speaker of the Council have the use of separate Council owned vehicles for official duties.		
31. Administrative expenditure		
Administration and management fees - third party	-	1 165 958
32. Debt impairment		
Impairment of debtors	42 109 869	25 676 864

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
33. Investment revenue		
Dividend revenue		
Listed financial assets - local	-	3 754
Interest revenue		
Interest from investments and bank	5 238 934	9 561 532
Interest charged on trade and other receivables	20 733 662	20 825 629
	25 972 596	30 387 161
	25 972 596	30 390 915
34. Fair value adjustments		
Investment property (fair value model)	65 017 050	21 827 397
35. Depreciation and amortisation		
Property, plant and equipment	197 287 489	102 168 051
36. Impairment of assets		
Impairments		
Property, plant and equipment	138 923 119	6 319
37. Finance costs		
Trade and other payables	7 505 273	(151 813)
Borrowings	12 302 798	5 623 688
Other interest paid	127 681	-
	19 935 752	5 471 875
38. Auditors' remuneration		
Fees	6 406 945	6 414 323
39. Operating lease		
Operating Lease obligation	2014	2013
Payable within 12 months	665 253	1 186 434
Payable within 2-5 years	426 349	1 091 602
	1 091 602	2 278 036
40. Rental of facilities and equipment		
Premises		
Premises	12 974 019	11 568 564
Facilities and equipment		
Rental of facilities	260 209	445 660
Rental of equipment	1 400 921	1 398 676
	1 661 130	1 844 336
	14 635 149	13 412 900

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
41. Contracted services		
Specialist services	15 353 011	17 113 837
42. Grants and subsidies paid		
Other subsidies		
Other grants	891 861	-
Disaster management grant	-	(42 000)
Council ward committes	3 457 200	4 436 648
Municipal systems improvement grant	702 505	728 107
SETA	715 813	705 713
Bursaries	227 013	239 734
Organogram development	438 782	-
Community particiaption	730 168	1 481 719
Public expense	1 451 590	2 262 915
Municipal support programme	-	85 975
Municipal finance assistance	41 800	126 720
Indigent subsidy	15 288 600	7 834 183
Uphuhliso lwethu	-	30 000
Expanded public works program	848 766	890 323
Department of local government	7 001	560 648
Electricity demand side management	3 789 139	3 156 340
Infrastructure skill development grant	2 229 501	7 319
Finance management grant	1 570 501	1 999 146
Library grant	-	27 164
Ward based budgeting	2 570 143	3 352 182
	34 960 383	27 882 836
43. Bulk purchases		
Electricity	170 233 450	162 453 730
44. Cash generated from operations		
(Deficit) surplus	(91 939 489)	141 913 010
Adjustments for:		
Depreciation and amortisation	197 287 489	102 168 051
(Loss) gain on sale of assets and liabilities	(13 158)	4 229 022
Fair value adjustments	(99 751 753)	(21 827 397)
Interest income	(25 972 596)	-
Finance costs	19 935 751	-
Impairment deficit	138 923 119	6 319
Debt impairment	42 109 869	25 676 864
Prior year adjustments	22 271 997	102 587 709
Changes in working capital:		
(Increase)/decrease in inventories	(6 429 867)	(221 816)
(Increase)/ Decrease in trade and other receivables	4 099 189	(2 444 895)
Increase/(decrease) in payables	6 510 454	(48 137 260)
Other working capital movements	-	(162 510 313)
Interest paid	(12 709 704)	-
Interest received	5 238 934	-
	199 560 235	141 439 294

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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45. Other cash item 1

46. Commitments

Authorised capital expenditure

Already contracted

• Infrastructure Assets	153 390 373	144 636 850
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Not yet contracted for and authorised by accounting authority

• Infrastructure Assets	-	41 868 340
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

47. Contingencies

Prior year contingent liabilities have been restated as a result of confirmations from the lawyers in the prior year. No movements to the figures confirmed in prior year and all the cases have not been finalised.

Pending litigations and claims

Electricity disconnection and dispute against the rates	2 040 000	2 040 000
Employment retention dispute	150 000	150 000
Claims for damages against municipality	11 994 499	11 994 499
Claims against KSD employees for assault	180 000	180 000
Claims for unlawful trading	360 000	360 000
Other claims	18 000	18 000
	14 742 499	14 742 499

King Sabata Dalindyebo Local Municipality

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48. Related parties

Accounting officer

Refer to accounting officer's report note

Refer to note 29 for the disclosure of the remuneration of key management (s56 managers).

The Councillors of the Municipality are as follows:

Cllr N Ngqongwa
Cllr LS Nduku (Infrastructure)
Cllr LN Ntlonze (Corporate Services)
Cllr MS Mlandu (Public Safety and Transport)
Cllr FRS Ngcobo (Budget and Treasury)
Cllr M Mtirara (Disaster Management)
Cllr LR Madyibi (Community Services)
Cllr AZ Luyenge
Cllr N Gcingca
Cllr KK Mdikane
Cllr N Nyangani
Cllr B Mazini
Cllr B Momoza
Cllr B Ndlobongela
Cllr BD Bara
Cllr DM Zozo (Chief Whip)
Cllr EM Fileyo
Cllr ET Mapekula
Cllr FM Mtwā
Cllr FV Dondashe (Speaker)
Cllr GN Nelani
Cllr HN Maroloma
Cllr J Dlamini
Cllr KN Kwetana
Cllr KW Tsipa
Cllr LA Tshiseka
Cllr LL Mkhonto
Cllr LM Luwaca
Cllr M Bunzana
Cllr M Gogo
Cllr M Jaffa
Cllr M Mavukwana
Cllr M Menzelwa
Cllr M Ngabayena
Cllr M Nyoka
Cllr M Plam
Cllr MA Zimela
Cllr MH Mtirara
Cllr MI Xentsa
Cllr MJ Msakeni
Cllr N Mpemnyama
Cllr N Mtwā

Councilor remuneration is disclosed in note 30

The following councilors held membership/directorship in entities that traded with municipality.

Cllr MH Mtirara - Crossbar Agencies
Cllr N Mtwā - OR Tambo Farmers
Oliver Vella Gwadiso - Take Note Trading

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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48. Related parties (continued)

Related party transactions

Purchases from (sales to) related parties

Take Note Trading	-	149 265
OR Tambo Farmers	-	2 300
Crossbar Agencies	-	16 750

King Sabata Dalindyebo Local Municipality

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Notes to the Financial Statements

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49. Prior period errors

Statement of Financial Performance

	As previously reported	Prior Period Error	Reclassification	Restated as at 30 June 2013
Service charges	258 605 608	(7 780 663)	-	250 824 945
Rental of facilities and equipment	13 629 466	(216 566)	-	13 412 900
Licences and permits	11 438 155	87 557	-	11 525 712
Decrease of provision	149 114 167	7 963 274	-	157 077 441
Other income	12 841 188	(3 503 768)	-	9 337 420
Interest received - investments	30 378 515	8 646	-	30 387 161
Property rates	131 782 195	4 314 864	-	136 097 059
Government grants & subsidies	274 408 110	4 843 889	-	279 251 999
Finance costs	(5 631 255)	159 380	-	(5 471 875)
Personnel	(244 016 244)	(14 612 720)	-	(258 628 964)
Repairs and maintenance	(35 889 939)	5 463 958	-	(30 425 981)
Depreciation	(97 076 951)	(5 091 100)	-	(102 168 051)
Contracted services	(17 141 836)	27 999	-	(17 113 837)
Bulk purchases	(162 453 730)	-	-	(162 453 730)
Grants and subsidies paid	(27 817 077)	(65 759)	-	(27 882 836)
General expenses	(111 365 788)	(5 122 437)	-	(116 488 225)
Loss on disposal of assets and liabilities	(4 218 976)	(10 046)	-	(4 229 022)
	176 585 608	(13 533 492)	-	163 052 116

Statement of Financial Position

	As Previously Reported	Prior Period Error	Reclassification	Restated as at 30 June 2013
Investments	216 895 290	-	(216 895 290)	-
Cash and cash equivalents	21 292 971	(74 513)	216 895 290	238 113 748
Receivables from exchange transactions	82 374 201	(7 925 042)	-	74 449 159
Receivables from non exchange transactions	11 638 831	2 986 128	-	14 624 959
Property, plant and equipment	1 524 957 163	738 714 787	-	2 263 671 950
Prepayments	-	41 950	-	41 950
Intangible assets	98 188	87 205	-	185 393
Heritage assets	-	4 363 000	-	4 363 000
Payables from exchange transactions	(376 760 934)	3 635 644	-	(373 125 290)
Consumer deposits	(3 047 001)	69 430	-	(2 977 571)
Unspent conditional grants	(142 710 819)	4 849 761	-	(137 861 058)
Provisions	(23 292 803)	(21 587 021)	-	(44 879 824)
Revaluation reserve	(132 220 784)	(116 258 046)	-	(248 478 830)
Self Insurance reserve	-	252 631	1 819 241	2 071 872
Accumulated surplus	(1 253 365 259)	(511 995 771)	(1 819 241)	(1 767 180 271)
	(74 140 956)	97 160 143	-	23 019 187

Service Charges

Prior period errors relating to service charges for the year ending 30 June 2013 were corrected. The errors pertained to the reversal of a journal that was incorrectly processed in the previous year to adjust receivables and revenue from exchange transactions.

Decrease of provisions

The adjustment pertains to the valuation of landfill site that was revalued retrospectively by the actuary.

Other Income

Prior period errors relating to other income for the year ending 30 June 2013 were corrected. The errors pertained to the incorrect journal passed in the prior year.

Property rates and receivables from non-exchange transactions

Prior period errors relating to property rates for the year ending 30 June 2013 were corrected. The errors pertained to incorrect journal passed to adjust revenue and receivables in the prior year.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

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49. Prior period errors (continued)

Government grants and subsidies

Prior period errors relating to government grants and subsidies for the year ended 30 June 2013 were corrected. The errors pertained to the correction of errors resulting in understatement of grant income and unspent conditional grant liability.-

Personnel

Prior period errors relating to personnel for the year ending 30 June 2013 were corrected. The errors pertained to errors reported last year and adjustments of employee related benefits affecting the provision for staff bonuses and long service awards.

Repairs and maintenance

Prior period errors relating to repairs and maintenance for the year ending 30 June 2013 were corrected. The errors pertained to misclassification of contribution to capital outlay to repairs and maintenance.

Bulk purchases

Prior period errors relating to bulk purchases for the year ending 30 June 2013 were corrected. The errors pertained to inclusion of VAT in the bulk purchases expenditure.

General expenses

Prior period errors relating to general expenses for the year ended 30 June 2013 were corrected. The errors pertained to the misclassification of expenses.

Investments

Prior period errors relating to investments for the year ending 30 June 2013 were corrected. The errors pertained to misclassification of short term investments that were classified as investments instead of cash and cash equivalents.

Property, plant and equipment

Prior period errors relating to Property, plant and Equipment for the year ending 30 June 2013 were corrected. The errors pertained to the following:

- Land not previously recognised
- Incorrect valuation of electricity assets
- Incorrect depreciation of movable assets
- Incorrect allocation of assets

Trade and other payables

Prior period errors relating to trade and other payables for the year ending 30 June 2013 were corrected. The errors pertained to overstatement of accruals in the prior year

Heritage assets

Prior period errors relating to heritage assets for the year ending 30 June 2013 were corrected. The errors pertained to non recognition of the heritage assets that were classified as community assets.

Provisions

Prior period errors relating to provisions for the year ending 30 June 2013 were corrected. The errors pertained to increase or inclusion of staff related provision for employee benefits and changes in the provisions for land fill site.

Accumulated surplus

Prior period errors relating to accumulated surplus for the year ending 30 June 2013 were corrected. The errors pertained to the various corrections as explained above.

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

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50. Comparative figures

The municipality has restated comparative figure due to prior period errors (see above) and reclassifications. Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position

Reclassifications

Cash and cash equivalents	-	216 895 290
Investments	-	(216 895 290)
Self insurance reserve	-	1 819 241
Accumulated surplus	-	(1 819 241)

51. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Cash and cash equivalents	127 658 562	238 112 696
Trade receivables from exchange transactions	41 974 548	74 449 159
Trade receivables from non exchange transactions	21 305 113	14 624 956

52. Events after the reporting date

The municipality is not aware of any events after 30 June 2014 that may have an impact on the financial statements or require disclosure:

53. Unauthorised expenditure

Opening balance	102 925 975	96 913 249
Add: Unauthorised Expenditure - current year	251 514 385	30 412 726
Condoned	-	(24 400 000)
	354 440 360	102 925 975

King Sabata Dalindyebo Local Municipality

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Figures in Rand	2014	2013
54. Fruitless and wasteful expenditure		
Opening Balance	331 351 572	869 904
Add: Fruitless and wasteful expenditure - current year	7 229 424	330 481 668
	338 580 996	331 351 572
55. Irregular expenditure		
Opening balance	154 880 649	61 768 221
Add: Irregular expenditure - current year	202 447 667	93 112 428
Add: Irregular expenditure -state funeral	8 362 137	-
	365 690 453	154 880 649
Analysis of expenditure awaiting condonation per age classification		
Current year	210 809 804	93 110 741
Prior years	154 880 649	61 768 221
	365 690 453	154 878 962
Details of irregular expenditure – current year		
3 quotations not obtained		334 640
Not all tender processes per SCM legislation and treasury regulations followed		202 113 027
		202 447 667
56. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	-	475 664
Current year subscription / fee	2 259 161	2 011 317
Amount paid - current year	(2 259 161)	(2 486 981)
	-	-
Material losses		
During the 2013/14 financial year the Municipality incurred distribution losses relating to electricity of 11.48% (2013 - 10.58%)		
Audit fees		
Opening balance	1 119 587	1 132 009
Current year subscription / fee	6 406 945	6 414 324
Amount paid - current year	(6 406 945)	(8 665 920)
	1 119 587	(1 119 587)
PAYE and UIF		
Opening balance	2 750 169	-
Current year subscription / fee	37 963 515	29 697 367
Amount paid - current year	(37 850 410)	(26 947 198)
	2 863 274	2 750 169

King Sabata Dalindyebo Local Municipality

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56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	2 024 479	-
Current year subscription / fee	53 598 685	65 940 679
Amount paid - current year	(51 427 739)	(63 916 200)
	4 195 425	2 024 479

VAT

VAT payable	39 084 010	78 209 644
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Ngcobo FRS	2 561	88	2 649
Cllr Nelani G	1 877	38 522	40 399
Cllr Gwadiso VO	244	17 333	17 577
Cllr Nduku LS	24 241	19 674	43 915
Cllr Mtwa FN	469	18 708	19 177
Cllr Mtirara MT	192	14 520	14 712
	29 584	108 845	138 429

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

57. Supply Chain Management Regulations

Incidents

3 quotations not obtained	2 798 843	-
Sole supplier	244 075	-
Emergency procurement	502 684	-
Quotations not requested as accommodation close to training venue	88 293	-
Closest B&B to the venue attended	299 956	-
Service by the manufacturer of marce fire fittings	7 576	-
Advertising in local newspaper	218 613	-
	4 160 040	-

In terms of section 36 of the Municipal SCM Regulations, any deviation from SCM policy needs to be approved by the Accounting Officer and noted by Council. The expenses incurred as listed above have been approved by the Accounting Officer and noted by Council.

58. Bids awarded to employees in service of the state

Kwazile Mdutshane - Contracts Officer	60 000	-
Siyabulela Mfobo - SCM Manager	10 500	-
	28 850	-
Khalimashe Songezo - Electrician	61 440	-
	160 790	-

King Sabata Dalindyebo Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

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58. Bids awarded to employees in service of the state (continued)

In terms of section 45 of the municipal scm regulation, any award above R2 000 to family of employee in the service of the state must be disclosed in the annual financial statements. The above is a list as recorded in the declaration-of-interest form.

59. Budget differences

Material differences between budget and actual amounts

Only variances exceeding 10% are considered material and explained below.

The shortfall variance of 10% on rental of facilities and equipment is due to decreased use of municipal facilities.

The shortfall variance of 21% on licences and permits is due to undercollection of anticipated revenue.

The shortfall variance of 52% on other income is due to undercollection of anticipated revenue.

The shortfall variance of 19% on interest received is due to reduction of debtors as well as decline in investments.

The excess variance of 100% on fair value adjustments on other other financial liabilities is due to the adjustment processed against the interest free loan received from DLGTA.

The shortfall variance of 62% on fines is due to undercollection of anticipated revenue.

The excess variance of 285% on depreciation and impairment of PPE is due to unanticipated increase in valuation of PPE and unexpected increase in impaired assets.

The excess variance of 67% on finance costs is due to the fair value adjustments made on the interest free loan from DLGTA.

The shortfall variance of 38% on debt impairment is due to decreased provision on impairment of debtors.

The excess variance of 10% on contracted services is due to unexpected increase on contracted services due to delays in appointment of personnel.

The shortfall variance of 30% on general expenditure is mainly due to decisions taken to reduce spending on non core functions of the municipality.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters as well as mid-year performance assessment conducted in January 2014 and reprioritisation. For details on these changes please refer to the annual report.